



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julie Edmonds-Mares

**SUBJECT: CHILDREN'S HEALTH
INITIATIVE**

DATE: May 24, 2013

Approved

Date

5/24/13

The purpose of this Manager's Budget Addendum is to provide supplemental information on the status of the Children's Health Initiative managed by the Santa Clara Family Health Plan.

BACKGROUND

In 1995, the Santa Clara County Board of Supervisors established the Santa Clara County Health Authority. This public agency, distinct from the County, established a community-based health plan known as the Santa Clara County Health Authority dba Santa Clara Family Health Plan (SCFHP). This public, not-for-profit health plan was created for the purpose of developing the local management for the expansion of Medi-Cal Managed Care, as presently regulated by the California State Department of Managed Health Care. The SCFHP is an independent public agency with a Governing Board made up of consumers, medical community representatives and Santa Clara County elected officials. SCFHP began operations in 1997 and has offered comprehensive, affordable medical, dental and vision coverage through various public health insurance programs.

The Children's Health Initiative (CHI) was launched on January 2, 2001 to provide access to health insurance to the estimated 71,000 uninsured children in Santa Clara County. CHI includes three health insurance programs: Medi-Cal, Healthy Families, and a local program called Healthy Kids. CHI's outreach and enrollment has assisted more than 203,000 children in applying for Medi-Cal, Healthy Families, or Healthy Kids. It is important to understand the differences between these insurance programs and the families they serve, as it will provide context for the City's contribution towards the health care system. Brief descriptions of each insurance program are provided below.

Medi-Cal, launched in 1966, is the primary safety-net public insurance program in California. The Medi-Cal managed care program is for children and teens from birth to age 19, parents, and pregnant women. There are no premiums for children with family incomes up to 250% of the Federal Poverty Level (FPL) amounts are updated annually every April.

Healthy Families is a low cost insurance program administered by the SCFHP for children and teens that provide health, dental, and vision coverage to children who do not have insurance and do not qualify for free Medi-Cal, but rather fee-for-service. Effective January 1, 2013, SCFHP members enrolled in the Healthy Families Program that qualify for Medi-Cal are transitioning because the FPL was increased to 300%, allowing more children to qualify for Medi-Cal. The qualification is based on federal income guidelines. Undocumented families do not qualify for Medi-Cal or Healthy Families.

Healthy Kids is a locally funded insurance program that was launched in 2001 as part of the Santa Clara County Children's Health Initiative. It fills the gap for children who do not qualify for the Medi-Cal or Healthy Families programs. It is funded entirely through premiums, local support, and foundation money. SCFHP administers Healthy Kids and it is regulated by the California Department of Managed Health Care, and offers the same benefits and provider networks as the Healthy Families program. It covers children in families with incomes up to 300% of the FPL. Unlike the government-run Medi-Cal and Healthy Families programs, the Healthy Kids program accepts members regardless of their immigration status.

LOCAL CONTRIBUTIONS

The City of San José has awarded the Santa Clara County Health Authority dba Santa Clara Family Health Plan \$2.1 million annually for the CHI's Healthy Kids program and has invested over \$22.9 million since 2001 to pay for health premiums for San José children who are uninsured.

The term of the current agreement for \$2.1 million is July 1, 2012 through June 30, 2013. These funds are used towards premiums for comprehensive medical, dental, vision, and mental health coverage to children between the ages of birth and 18, residing in San José whose families have incomes at or below 300% of the FPL, and are enrolled in the Healthy Kids program. Information, application, and renewal assistance is also provided to the families. Premiums are calculated at \$1,032 per child per year (or \$86 per child per month). City funding represents approximately 31% of the total CHI funding for this program and pays premiums for approximately 37% of the program participants (see table below for yearly comparisons).

As shown in the table below, funding to CHI from other sources has continued to decrease since 2007-2008 while San José's share has remained constant. In 2012-2013, the following sources of funding were allocated towards CHI, above the City's contribution: \$3.0 million from the County of Santa Clara, \$1.05 million from First 5 Santa Clara County, approximately \$70,000 from small cities, and the remainder from hospitals, foundations, corporate, or individual donors. This decrease in funding from other sources resulted primarily in less participants being served. As outlined in the table below, in 2007-2008, the City's contribution to CHI funded 19% of all participants; six years later the City's contribution funded 37% of all participants. While the City's funding amount remained constant, the percent of participants funded from the City's contribution nearly doubled.

Fiscal Year	Total Program	City Funding	% Funded by City	Total Program Participants	City-Funded Participants (approximate)	% of Total Program Participants Funded by City
2007-08	\$11,155,219	\$2,100,000	19%	13,326	2,546	19%
2008-09	\$12,783,253	\$2,100,000	16%	16,720	3,522	21%
2009-10	\$12,691,621	\$2,100,000	17%	9,636	1,760	18%
2010-11	\$10,084,907	\$2,100,000	21%	7,360	2,035	28%
2011-12	\$9,386,784	\$2,100,000	22%	6,500	2,035	31%
2012-13	\$6,822,340	\$2,100,000	31%	5,462	2,035	37%

Today, there are approximately 2,035 San José children that are recipients of health insurance under the CHI's Healthy Kids program funded by the City. While some of the children are eligible to transition to other funded programs such as Healthy Families or Medi-Cal, it is estimated that 93% of the children will remain under the Healthy Kids program.

In a February letter to the City Council, Board of Supervisors President Ken Yeager proposed that the City continue to fund this program for three years, dropping from the current City allocation of \$2.1 million annually to \$2.0 million in 2013-14, \$1.5 million in 2014-15, and \$500,000 in 2015-16. Under the Proposed Budget, this phase-out would be accelerated to \$1.1 million in 2013-2014 and complete phase out in 2014-2015. With the recent passage of Santa Clara County's Measure A sales tax increase, this anticipates that the County of Santa Clara will continue support for the Healthy Kids program and replace City funding as needed. Discussions have occurred between the City administration and the County to ensure that the City Administration understand the program context as described above for the recommended budget actions. Pending Council action on the City's budget, staff will coordinate with the County accordingly.

STATE AND NATIONAL CONTRIBUTIONS

On the Federal, State and County levels, new legislation has provided for a greater safety net of health insurance coverage for families and children through Covered California and the State's expansion of Medi-Cal's poverty levels which has resulted in those currently covered under Healthy Families to be transitioned into Medi-Cal.

CONTRACT MONITORING

As per "Exhibit B Monitoring, Evaluation and Reporting Requirements" and "Exhibit D Payment and Reporting Schedule" City staff conducts quarterly reviews of reports that include programmatic and financial information. In addition, staff conducts annual general review of

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SCFHP's audited financial statements. The SCFHP is current on all reports and the City has made timely quarterly payments.

On April 23, 2012, staff conducted a site visit and met with the Santa Clara Family Health Plan representatives to discuss the following: outreach to San Jose children, and to review and update performance measures. The results of those discussions facilitated the development and execution of the agreement for 2012-2013.

A year later, on April 15, 2013, PRNS staff met with the SCFHP's Chief Financial Officer to discuss how they track the City of San José's funds and to confirm that funds were used to pay for health premiums. As staff expected, the majority of the \$2.1 million awarded to the Health Plan goes directly to pay for health premiums and a portion, \$262,993, is allocated for administrative expenses such as salaries and benefits, occupancy, supplies, and professional fees associated with the Health Plan and outreach efforts.

City staff will continue to apply due diligence in monitoring the grant agreement and ensure that City funds are paying for San José's children health premiums.

/s/

JULIE EDMONDS-MARES

Director of Parks, Recreation and
Neighborhood Services

For questions please contact Matt Cano, Deputy Director, at 408-535-3580.